

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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In the Matter of )

Policy and Rules Concerning Rates )  
for Dominant Carriers )

Revisions to Price Cap Rules for )  
AT&T )

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CC Docket No. 87-313

CC Docket No. 93-197

REPLY COMMENTS OF  
MCI TELECOMMUNICATIONS CORPORATION

MCI Telecommunications Corporation (MCI) respectfully submits these reply comments in the captioned proceeding. MCI's reply is limited to two points: (1) the Federal Communications Commission's (Commission's or FCC's) justification of the 90-day limit on alternative pricing plans (APPs); and (2) the claim by AT&T Corp. (AT&T) that nondominant classification would assure reasonable rates.

AT&T contends (at 18-24) that the proposed rules are arbitrary and inconsistent with current rules because they do not allow APPs to last longer than 90 days, and because they deny price cap credit for APPs until they are filed and become effective as permanent offerings. As a result, it complains, APPs that last only 90 days or less would never receive price cap credit. AT&T claims (at 19-20) that the Commission has not offered a reasoned explanation for treating an APP differently from other rate reductions for price cap purposes, as required by the recent Court of

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Appeals decision.<sup>1</sup>

On the contrary, the Commission's analysis on this point has adequately supported its decision to limit APPs to 90 days. The Commission is correct in restricting AT&T's ability to offset reductions in its rates (through APPs) by increasing basic schedule rates. Otherwise, as the Commission noted, AT&T could use APPs to entice customers of other carriers by promising short-term rate cuts, while protecting its revenue stream by increasing basic schedule rates for existing customers. Indeed, the FCC has previously refused to adopt price cap provisions that would allow AT&T unlimited flexibility to do this.<sup>2</sup> MCI agrees with the Commission's conclusion that "if AT&T operated in a completely competitive market, this issue would be moot because AT&T could not raise general schedule rates without the fear of losing customers to a competitor." Further Notice of Proposed Rulemaking (Further Notice) at 11. This 90-day restriction is consistent with the Commission's price cap objective of assuring a reasonable basic schedule of long distance rates for ratepayers. Further Notice at 10.

Furthermore, the Commission clearly stated that it was seeking a way to prevent AT&T from overstating its headroom -- or the gap between the Adjusted Price Index and

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<sup>1</sup> AT&T v. FCC, 974 F.2d 1351 (D.C. Cir. 1992).

<sup>2</sup> See Policy and Rules Concerning Rates for Dominant Carriers, Order and Notice of Proposed Rulemaking, CC Docket No. 87-313, 8 FCC Rcd 3715, 3716 (1993).

the price cap index ceiling for Basket 1. Further Notice at 29-30. It concluded that using 90 days of actual cost and demand data, rather than the forecast data that is allowed under existing rules, would address this concern.

Additionally, the Commission stated that using actual data should address concerns regarding the possibility that AT&T might inflate its forecasted demand by repeatedly filing promotions with forecasted data, thereby overstating its headroom.

AT&T also argues (at 25-27) that reasonable basic rates can be assured by finding that it is now a nondominant carrier. MCI's filings in the parallel proceeding in which AT&T is seeking to be reclassified as a non-dominant carrier (CC Docket No. 79-252) demonstrate why market forces alone are not sufficient to police AT&T's conduct.<sup>3</sup> MCI there stated that it would not be appropriate to accord AT&T nondominant regulatory status at this time, primarily because AT&T continues to assert ownership of patents to key telecommunications systems; its exercise of any rights it might have in such patents would empower it to effectively control competition in the interexchange marketplace.

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<sup>3</sup> "Comments of MCI Telecommunications Corporation," American Telephone & Telegraph Co., CC Docket No. 79-252, dated June 9, 1995; and Reply Comments of MCI Telecommunications Corp., dated June 30, 1995.

MCI argued that, regardless of AT&T's regulatory classification, it must remain subject to certain "market rules" to which its marketplace behavior must continue to conform. The market rules include requirements that: (1) AT&T be restricted from "bundling" its services when one of the services is not competitive; (2) AT&T be prevented from "bundling" its services with equipment under any circumstances; (3) AT&T not receive any undue, noncost-based preferences in essential "access services" because of its size or its equipment and historic relationships with access providers; (4) all of AT&T's services be made generally available to any entity wanting them; (5) AT&T impose no unreasonable restrictions on those wishing to resell its services; and (6) the Commission adopt and implement Billed Party Preference in the "0+" market.

Therefore, as fully discussed in its initial comments in this proceeding, MCI agrees that APPs should remain subject to price cap regulation, in Basket 1. MCI also supports the Commission's proposal which would allow AT&T to file tariffs for APPs on a streamlined basis.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I, Vernell V. Garey, hereby certify that the foregoing "REPLY COMMENTS" in CC Dockets 87-313, CC Docket No. 93-197 was served this 24th day of July, 1995, by mailing true copies thereof, postage prepaid, to the following persons at the addresses listed below:

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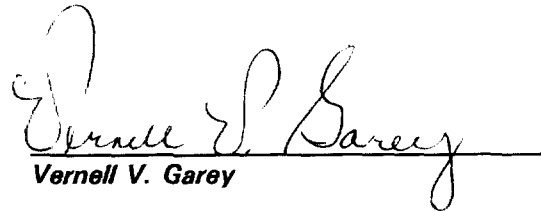
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